Science Council of British Columbia

Marketing in British Columbia's

High Technology Companies

A Science Council of British Columbia

Task Force Report

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EXECUTIVE SUMMARY

The diversification of the B.C. economy away from its traditional resource base and toward the establishment and growth of "knowledge based" industries is well underway. Statistics based on information provided by Industry Science and Technology Canada, and Robert Morris Associates forecast a sector growth rate of 12-15% between now and the year 2000. While this growth is significant, the various "stakeholders" including the owner/operators of companies that constitute the industry, government agencies, educational institutions, venture capitalists etc. believe that the industry can improve its performance, and also that it must continuously examine ways growth can be maintained and improved.

Various organizations such as the Science Council of B.C. grant funds to help high technology companies with their R&D efforts. While the products developed are usually considered to be technological successes, they often fail to become commercial successes. It is recognised that many of these companies fail to perform sufficient pre-development marketing analysis to determine the acceptability and pricing levels of the products involved, with the inevitable consequences. Some companies do very little marketing in any sense.

For this reason, in the fall of 1990, the Science Council of B.C. (Science Council) decided to launch a special project to examine and review the marketing practices of the high technology industry with a view to further enabling B.C. companies to commercialize their R&D efforts. The Science Council established a Marketing Task Force to direct the project. The Task Force began to work in early 1991. For the purposes of this report, the term marketing includes "the identification of customer needs, product design, promotion, sales, distribution and post-purchase follow-up."

After research and discussion with the various stakeholders, the Task Force proposed a Strategic Plan to address the marketing challenges the industry faces, a summary of which follows. This report also includes a summary of the background research which lead to the plan, the expanded and annotated Plan and, in the Appendix, additional information about the industry and its current marketing practices.

THE PROPOSED STRATEGIC PLAN

1. RAISE THE AWARENESS AND APPRECIATION OF THE NECESSITY OF MARKETING FOR B.C. HIGH TECH COMPANIES

2. ESTABLISH A MARKETING CHAMPION TO ACT AS A FOCAL POINT FOR THE MARKETING PROGRAMS OF VARIOUS AGENCIES AND ORGANIZATIONS

3. PROVIDE SUPPORT FOR SMALL HIGH TECH COMPANIES TO DEVELOP IN-HOUSE MARKETING EXPERTISE

4. IMPLEMENT A MENTORING PROGRAM TO GUIDE SMALLER COMPANIES THROUGH SPECIFIC, TACTICAL MARKETING PROGRAMS.

5. ADVOCATE APPROPRIATE EDUCATIONAL/TRAINING PROGRAMS WHICH SATISFY THE SPECIFIC MARKETING NEEDS OF HIGH TECH COMPANIES IN B.C.

6. ENCOURAGE GOVERNMENT AGENCIES WHICH SUPPORT R&D OR BUSINESS ACTIVITIES TO EVALUATE THEIR CURRENT PROGRAMS, AND SEARCH OUT AREAS WHERE MARKETING SUPPORT COULD IMPROVED.

7. ENCOURAGE PROVINCIAL AND FEDERAL GOVERNMENTS TO EXTEND TAX CREDITS WHICH PROVIDE INCENTIVE FOR MARKETING ACTIVITIES.

INTRODUCTION

Background

This Task Force Report presents a discussion of the obstacles to marketing within the B.C. High Tech industry, the Proposed Strategic Plan, and background information about the industry and its current marketing practices obtained from the mail questionnaire.

Most emerging high technology companies are small in size, and have revenues of less than $10 million. 90% of employment in the industry is in companies with sales of less than 10 million. Most of these companies must find markets for their products outside B.C.

Course of Action

The Task Force Mission Statement

"To increase the successful commercialization of R&D in B.C. by enhancing the marketplace performance of the high technology community."

Objectives

1. To identify the current status, both in terms of strengths and weaknesses, of the marketing practices of B.C.'s high technology companies;

2. To identify the major obstacles to improving the marketing practices of B.C.'s high technology companies; and

3. To develop a strategic plan to address these major obstacles.

Action Plan

1. **Mail Survey Of Companies, March, 1991 (the companies)**
   A questionnaire was designed and sent to 1,044 B.C. high technology companies. Approximately 15% of these companies responded.

2. **Telephone/Personal Group Survey, March And April, 1991 (the"specialists")**
Fifty seven representatives of the B.C. high technology community were interviewed in person or by telephone. These representatives included marketing consultants, directors of university liaison offices, government officers in agencies offering marketing assistance programs, and industry people from a variety of high technology sectors.

3. **Task Force Drafted Strategic Plan For Discussion and Review ("the July Report")**

4. **Forum Discussion June, 1991, (the forum)**
89 people, a cross section of those involved in the industry and related government agencies, (as described in # 2), divided into ten discussion groups and commented on the various elements of the plan, and other related matters. Approximately 50% of the attendees were from those companies which had responded to the questionnaire.

5. **Case Studies And Other Sources Of Information**
The Task Force reviewed case studies of B.C. high technology companies, which have been successful in their marketing efforts. Numerous reports and other sources of information were accessed.

6. **Review By The Science Council Of B.C.**
The Science Council reviewed the Task Force's "July Report" and provided interim comments.

The reader should note that the responses from "the companies" were very different than those from the "specialists" and the forum. Some of the differences may be explained by the fact that the make-up of each group was somewhat different. The mail survey was directed to high technology companies only. The telephone/personal focus group ("the specialists") survey was directed to a cross section of industry representatives as described above. Some of these differences of opinion may stem from the fact that the "specialists" tend to take a much broader view of corporate strategy as a whole and the role of marketing within the context of that strategy. Other differences of opinion may be explained by the fact that individuals may have different perceptions of "success." Where differences are clearly identified, the point of view is attributed (for example, "the specialists felt that..").

Having researched data from a broad spectrum of sources, prepared a basic strategic plan, and generated comments on this proposed plan from industry representatives, government agencies, educational institutions and the Science Council, the Task Force formalized its Strategic Plan to overcome obstacles to marketing in the B.C. high tech industry. The following plan sets forth recommendations, plans of action, and addresses the basic question "who should do this?"

DISCUSSION OF MAJOR MARKETING OBSTACLES IN THE B.C. HIGH TECH INDUSTRY

Explanatory Note:

This discussion incorporates issues raised by the mail questionnaire, the telephone/focus group survey (the "specialists"), at the Forum (the forum) and by the Science Council.

I. LACK OF AWARENESS OF THE IMPORTANCE OF MARKETING WITHIN THE INDUSTRY

Almost 50% of small companies and over 40% of all companies did not develop marketing plans for new products. The most common reasons for not doing so included:

a. "it's not necessary, the customer's needs are known, therefore a market study would be a waste of time;"

b. lack of expertise within the company; and

c. lack of resources to hire an "outsider" to formulate the plan or alternately to train inside staff.

The "specialists" felt that there is a lack of awareness, particularly in the smaller companies, of what constitutes marketing, and why marketing is important; and that there is a real need to create an industry-wide awareness of what marketing is, and why it is important to the companies' success. They felt that:

a. most small to medium-sized companies do not engage in developing marketing plans and/or long term strategies at least partially because most of these companies can secure R&D financing without developing a marketing/business plan;

b. the prevailing attitude is "a good product will sell itself." These companies fail to consider that taking an innovative product from the "bench to the market" often requires more resources in terms of time and money than conducting the original R&D;

c. most companies tend to be product rather than market oriented. Priority is given to R&D, and the companies focus on producing a product for the sake of a technological idea rather than for a customer need. As a result these companies fail or do not grow;

d. entrepreneurs with technical backgrounds tend to view marketing as an "easy to do activity" within their skill set, even though they do not have the proper training or experience. Marketing is perceived to be a soft discipline requiring no special talent or special training. Therefore marketing does not have a place of importance in the corporate culture;

e. marketing activities are often seen as a financial drain which produces few tangible results, especially in the short term.

There is a need to Promote Marketing to Industry

The "specialists," the forum and the Science Council felt that :

a. there is a need to create an industry-wide awareness of what marketing is, and why it is important to the companies' commercial success;

b. there is a strong need for marketing education and "awareness" in the B.C. high tech industry;

c. fund granting agencies which provide financial assistance for R&D activities should make it clear that a marketing plan is an integral part of obtaining funding; and that perhaps these agencies should assign 15% of the R&D funding provided to marketing tasks.

d. institutions such as universities, BCIT and others should develop case studies illustrating various facets of high tech marketing;

e. efforts should be made to document B.C. success stories, and to have these stories published in the media; and

f. it is important that companies' senior management be involved in developing market plans, and not assign all of the task to outside consultants. Further, a senior marketing person should be involved in the company early in its development, even if this person is not an employee/owner.

2. LACK OF FINANCIAL RESOURCES

Approximately 54% of the companies spent less than 10% of revenues on marketing activities, 40% of small companies spent less than 10% of revenues on marketing, and 25% of the small companies spent less that 5% of revenues on marketing. Translated into dollars, this means that these companies would spend $13,000-$100,000 on marketing.

This amount of money may be inadequate if the companies' target markets are international. Most of these small companies recognized the fact that their marketing expenditures were lower than their respective "market leaders."

Small companies are unwilling to allocate the resources, especially financing, to undertake appropriate marketing studies. It is difficult to generate financing specifically for the funding of marketing activities. The companies tend to dedicate available resources to product development.

The "specialists" felt that small-medium sized companies tend to favour developing new and different products which require long and heavy investment in R&D. Entirely new markets must be established, and this exercise requires an extensive marketing program. The tendency is to allocate a hefty portion of the company's limited resources to the R&D function; and thus undernourish the marketing function. The result is often that the company does not generate the sales necessary to sustain operations.

Some "specialists" felt that companies should be encouraged to initiate operations by starting with low tech products which have short development lead times and fewer R&D financial demands. Such products could generate cash flow and provide a stable financial base for the company, at which point more innovative R&D projects could be undertaken.

There was no consensus reached on the issue of financial assistance, the type of assistance etc., but was agreed that enabling companies to access an expert is very desirable. The following discussion sets forth recommendations and concerns expressed:

a. the "specialists" felt that consideration should be given to the type of financial assistance extended (loans, non-repayable financial assistance or subsidies?), and recommended that:

   i. financial assistance programs which do not require repayment are frequently taken for granted by applicants. (The Science Council of B.C. overcomes this problem by dispensing its financial assistance on a quarterly basis, and only after receiving regular progress reports from the company.)

ii. loans tend to motivate companies because the company has to generate cash flow in order to repay the loan. However, loans may be costly to administer. The provincial government tends to favour repayable loans over non-repayable grants.

b. the Science Council's MART Program be expanded in order that it can help build marketing expertise in the high tech consulting community. For example, MART funding could provide for the apprenticeship of selected local consultants under experts from outside B.C. (including the U.S.). The purpose of this would be to strengthen the skills of the local consultants in the high tech area.

c. R&D granting organizations such as the Science Council of B.C. should put more emphasis on the marketing aspects of applications when selecting recipients. A marketing expert should sit on each peer review committee. Some participants felt that companies should not receive R&D funding unless:

i. there is a viable marketing plan in place; and
ii. the company can illustrate the ability to implement the plan.

d. there is a need for financial assistance to companies for the purpose of acquiring the services of marketers. The "specialists" felt that financial support is an excellent way to ensure that smaller companies are able to access experienced help. It was suggested that this type of assistance could be highly effective in terms of building an "in-house" market-driven corporate philosophy.

i. for the purpose of designing marketing plans,

ii. to provide for the training of senior management in this area, and in addition,

iii. to enable senior management to be involved actively in the planning and implementing of their marketing strategies.

e. it is also recognised that:

i. the marketing professional hired on a temporary basis (a year or less) may not have sufficient time to both develop and establish international channels and also train company management with respect to skills and contacts required in order to function effectively in foreign markets. The result might be that the newly established distribution network would fall apart. The company would lose not only its new market, but also its reputation;

ii. it may be difficult to find consultants/marketing personnel to work with these companies on a temporary basis; and

iii. it may be costly to import marketers from outside the province.

f. additional concerns:

i. marketing is a full-time job;

ii. performance contracts should be built into contracts extended to consultants; and

iii. consultants who are on contract to several companies may face conflict of interest problems.

3. PERCEIVED LACK OF HUMAN RESOURCES

71%of the companies felt there was a lack of experienced high-tech marketing professionals in B.C. However, since 50% (and up to 66% of small companies) were not willing or able to pay the "professional" more than $60,000, the respondents may be expecting too much for the money they are willing to invest in this function.

The "specialists" recognized that, in B.C., the demand for high tech marketing experts is so small that most consultants do not specialize in this field. In addition, most B.C. companies are not prepared to pay these expert high tech marketers the income the marketers feel they could command in other places. Usually these experts work with the larger companies, or leave the province.

4. THERE IS A NEED FOR A CENTRAL "MARKETING INSTITUTE"

The "specialists" felt that is difficult to access available marketing information. Information and assistance is available from a number of government and industry organizations in the province, but there is no central point of access. This problem exists for both national and international markets. Some company representatives in the "specialist" group felt that the information they obtained by using local consultants was not useful.

The "specialists" recommended the creation of a brokerage house/umbrella organization or agency from which companies could access information and market intelligence, information on marketing programs, strategic alliances, financial aid," how-to" seminars, provincial and federal programs, consultants and other programs. There was a strong indication that this organization should not be a government-initiated, bureaucratic type etc., but rather be industry-driven.

The forum also supported the concept of having one organization/agency which could direct companies to the appropriate sources of grants, information, marketing programs, data bases etc. There was however, an emphatic statement that this organization/agency should not be a new government bureaucracy, but rather a type of industry association.

There was wide support for establishing a mentoring program using retired executives "if the right people can be found." This activity might be administered by the "marketing institute." There was concern about the level of the mentor's commitment. Currently, the FBDB CASE program subsidizes the cost of consultants who work as mentors with companies to solve business problems, but these consultants are not high tech marketing specialists.

5. EDUCATION

In general, the companies thought that currently available courses are too time consuming, and that the content is often irrelevant to their needs. This comment was of particular concern to the small companies. Over half of those companies who had participated in courses used educational offerings from specialized private companies. Only 30% of the companies made use of courses offered by post secondary institutions.

Some company representatives felt that frequently, 1-2 day seminars were expensive and often ineffective. The topics described were too broad to be of use to smaller companies. Much of the enthusiasm for marketing tended to disappear shortly after the seminar had been presented.

The forum endorsed the need for some form of a marketing education/training program for companies, especially for small companies. Some felt that the Science Council of B.C. can assume a higher profile in this area.

As entrepreneurs in high tech companies need marketing and business training, science and engineering students in post secondary institutions should receive this type of cross discipline training.

6. GOVERNMENT PROGRAMS

a. Current Government Programs

It is apparent that many companies are not aware of provincial and federal programs which could help them with their marketing efforts. There should be a coordinated program to publicize such information and programs.

b. Expansion Of Existing Programs

Programs such as External Affairs PEMD program, which assist companies in the development of international marketing should be expanded and improved.

The "specialists" felt that the guideline and evaluation aspects of government programs should focus on extending sufficient assistance to complete programs (that is, perhaps these programs should actually help a few companies establish a strategic alliance rather than supply a large number of companies with information about strategic alliances).

The "specialists" felt that the B.C. government must promote B.C. globally as a high technology centre.

c. Strategic Alliances

The "specialists" felt that the formation of strategic alliances may be important as part of a company's marketing strategy if it is to be successful internationally. Some felt that there is a real need for programs to support alliance development.

i. B.C. Trade Development Corporation should be encouraged to continue and expand its advisory and financial assistance program in this field.

ii. Some felt that there is a need for an educational type of program which would enable small companies to select a strategic partner and effectively negotiate with the larger company. This task may be addressed by having consultants advise and train small companies on matters such as "what to look for" in a strategic partner. For example, it is safer to choose a partner in a complementary business rather than in a directly competitive one.

7. TAXATION

The tax structure and high labour costs in B.C. make it difficult for high tech companies to compete globally. The forum recommended that steps be taken to amend current taxation regulations to allow for the inclusion of marketing in the area of tax credits.

8. GLOBAL PERSPECTIVE

B.C. has not yet established a "global" image in the high tech field. Thus, B.C. companies must work hard to create a reputation for themselves in B.C., Canada and international markets. A concern is that Canadians do not have confidence in their own high tech products, and frequently prefer to buy from U.S. or other sources. In many countries preference is given to domestic suppliers. B.C. companies have found that even the provincial and federal governments often choose foreign over B.C. produced products.

The "specialists" felt that small-medium sized companies do not do well in international markets at least partially because they underestimate the time, costs and resources associated with marketing outside B.C. For example, some companies tend to believe that they can establish a distribution network or customer base in a foreign country after one business trip or after attending one trade show. Further, there tends to be a lack of understanding of the local customs and regulations, legal requirements etc. to be followed in these markets. There was concern that B.C. companies may not recognize all of the implications involved in forming strategic alliances in these countries.

There are large high tech companies in B.C., and often future entrepreneurs receive their basic training by working initially in these companies. However, there are not enough of these companies to develop a sophisticated high tech community. This is partially due to the fact that successful companies are often bought out by larger international companies. There is a danger that this drains technology and expertise out of B.C.

THE PROPOSED STRATEGIC PLAN

1. RAISE THE AWARENESS AND APPRECIATION OF THE NECESSITY OF MARKETING FOR B.C. HIGH TECH COMPANIES

Education and awareness are central to this plan. Many high tech companies are not aware that there is a problem. There is need for an organized program to help companies understand what marketing is, why it is important, and when it should be considered. For this program to succeed, it is critical that senior management, particularly the CEO's, be involved.

Steps

a. **Provide networking opportunities** where the marketers and senior management of the high tech communities can interact (for example Science Council SPARK forums and workshops).

b. **Make available booklets And videos** which emphasize "what to do" and "how to do it" with respect to the development of a marketing plan.

c. **Collect, develop, publish and distribute local case studies** which illustrate how successful companies have used marketing techniques as an integral part of their success story.

Action

Science Council

1. Coordinate network opportunities through its forums and workshops.

2. Locate existing (or produce new) booklets and videos pertaining to good marketing practices, strategies, sources of information, useful contacts etc.

3. Generate case studies and assist in their publication and distribution. Liaise with educational institutions and other organizations and with sector specific journals and the media.

4. Require a marketing plan component in R&D funding applications.

5. Expand the MART program to support marketing programs that will allow B.C. to "grow its own" high tech marketing experts.

6. Recommend that other agencies which support R&D funding insist on a marketing component in the application prior to the approval of funding.

2. ESTABLISH A MARKETING CHAMPION TO ACT AS A FOCAL POINT FOR THE MARKETING PROGRAMS OF VARIOUS AGENCIES AND ORGANIZATIONS

Steps

a. Define The Tasks Of The Marketing Champion.

i. Acts as a point of contact to assist high tech companies locate government and non-government agencies with appropriate marketing support programs (for example: B.C. Trade Development Corporation, Federal Business Development Bank, Western Economic Diversification, Science & Technology Canada, Science Council of B.C.)

The Task Force felt that many companies do not utilize existing marketing resources or apply for available financial assistance because they are simply unaware of the programs already in place.

ii. Sets up a Marketing Committee to address the marketing challenges facing high tech companies in B.C. The Task Force felt that this Marketing Committee:

- would consist of representatives from the high tech community and also from key government agencies;
- would ensure continuous contact between industry and the government agencies; and
- would organize a coordinated effort in terms of developing and implementing marketing programs.

Further, the Task Force felt that the champion and the committee could undertake a number of initiatives, for example:

- Publish a comprehensive guide to various funding programs in brochure form;
- Develop a marketing handbook for B.C. high tech companies;
- Investigate methods for improving the access to market intelligence sources.
- Undertake tasks such as the organization of a marketing institute.

b. Organize funding for the function:

1. The Task Force felt that funding sources should include industry associations, federal and provincial government agencies, and possibly financial institutions.

2. It was recognized that financial institutions such as banks and venture capitalists have shown an interest in investigating the high tech area. However, these financiers would have to be persuaded to contribute funding for a champion on the basis that the cultivation of a healthy high community in B.C. is to their business advantage.

Action

Science Council

1. Should request funds to put this strategy into place; or

2. Should work with other agencies such as B.C. Trade Development Corporation to raise funding.

3. PROVIDE SUPPORT FOR SMALL HIGH TECH COMPANIES TO DEVELOP IN-HOUSE MARKETING EXPERTISE

There was a substantial difference of opinion on the issue of what should be done (ie. full time vs. part time help, subsidization of education etc.). The overall thrust was toward the development of in-house marketing expertise.

Steps

a. Develop sources of funding to provide small companies with the financial assistance required so that they can hire or contract a marketing person committed to developing and implementing a marketing strategy. It is recognized that the marketing person must have assurance that the company will be able to provide the necessary resources to implement the plan.

b. Develop guidelines, to be reviewed by the company and the funding organization, which will review the marketer's contract every six months to compare actual performance with predetermined goals. It is suggested that companies negotiate payment based on predetermined goals.

c. Promote this program "out in the field" by talking directly to high tech companies. This will increase general awareness of the role of marketing in the management process, and increase awareness of the funding programs.

Action

Science Council

1. Examine the possibility of creating a marketing support program which could provide financial assistance to help companies off-set the cost of acquiring the services of a marketing person. This program would subsidize part of the cost of a marketing person on a continuing but declining scale basis for up to two years.

   Requirements:

   i. The marketing person's contract with the company would include agreeing on performance goals, and having them reviewed and accepted by the funding organization.

   ii. The marketing person would be required to provide "in-house" training for company personnel.

   iii. Unsatisfactory performance would lead to termination of the contract.

   The Task Force felt that

   i. This program should allow companies to hire marketing experts from outside B.C. because it is recognized that the required expertise is not always available within B.C.

   ii. The funding organization, and possibly the marketing institute, should be "out in the field" talking directly to the companies, increasing the awareness and use of the marketing support program, and also enhancing the general awareness of marketing as an integral part of the companies management process.

2. If the Science Council decides that the marketing support program does not fall within its mandate, it should champion the cause to the appropriate provincial and federal agencies.

4. IMPLEMENT A MENTORING PROGRAM TO GUIDE SMALLER COMPANIES THROUGH SPECIFIC, TACTICAL MARKETING PROGRAMS

Steps

a. Develop a new mentoring program in conjunction with other organizations which have, or are investigating similar initiatives (for example: Industry, Science & Technology Canada "ISTC" and the Federal Business Development Bank "FBDB"). ISTC is examining a mentoring program for medium-sized companies ($8-$10 million in revenue) to facilitate their expansion into large companies. FBDB operates the CASE program which uses retired experts as consultants to help small companies, usually however, outside the high tech area.

b. Alternatively, refine existing programs so that they address the needs of small to medium-sized companies in the high tech sector.

c. Request that the FBDB consider the recruitment of high tech specialists.

Action

The marketing champion should coordinate this program.

5. ADVOCATE APPROPRIATE EDUCATIONAL/TRAINING PROGRAMS WHICH SATISFY THE SPECIFIC MARKETING NEEDS OF HIGH TECH COMPANIES IN B.C.

The Task Force recognized that companies, especially small companies feel that currently available courses are time consuming and irrelevant to their needs. Thus there is a strong need for the development of high-tech oriented courses which can be made available to the companies at their convenience.

Steps

a. Identify, and where necessary expand educational offerings, and organize them into useful categories.

b. Encourage educational institutions to include in their programs for science and technology students, cross discipline courses such as marketing. This type of exposure will help create an awareness of the important role that marketing plays in the success of a high tech company.Coordinate training activities with educational institutions such as BCIT and the universities, and introduce them to other less formal venues such as the Vancouver Enterprise Forum.

c. Form "marketing clubs" where high tech company representatives can meet on a regular basis, and learn from one another's experiences.

d. Develop opportunities for meeting mechanisms between high tech companies, wherein personnel can interact and learn from each other's experience.

Action

The champion and the marketing committee could coordinate the steps outlined above.

6. ENCOURAGE GOVERNMENT AGENCIES WHICH SUPPORT R&D OR BUSINESS ACTIVITIES TO EVALUATE THEIR CURRENT PROGRAMS, AND SEARCH OUT AREAS WHERE MARKETING SUPPORT COULD BE IMPROVED.

The Task Force felt that organizations administering R&D grants should be encouraged to have grant applications reviewed by a marketing person to evaluate the marketing dimension of the business plan. This marketing review is important to ensure that the funded applications are sound from both a business and technical point of view.

Action

Recommend that R&D granting agencies allocate 15% of grants extended to companies specifically for marketing activities.

7. ENCOURAGE PROVINCIAL AND FEDERAL GOVERNMENTS TO EXTEND TAX CREDITS WHICH PROVIDE INCENTIVE FOR MARKETING ACTIVITIES.

Steps

Science Council

1. Develop a position paper supporting the need for, and benefits or marketing tax credits in the system.

2. Examine the provincial tax legislation to determine whether there are any areas where tax incentives could be extended to B.C. high tech companies.

Action

Request that the provincial government lobby the federal government for changes in legislation which governs taxation matters.

APPENDIX A

INFORMATION ABOUT BC HIGH TECH COMPANIES AND THEIR CURRENT MARKETING PRACTICES

(derived from the mail questionnaire)

1. Characteristics Of The Respondent Companies

a. Gross Revenues

71% of the companies had gross revenues of $5 million or less, and 39% had revenues of $1-5 million.

b. Number Of Employees

Over half the companies had less than 20 employees. Less than 10% had over 100 employees.

c. High Tech Industrial Sector

37% of the companies were from the Information Technology sector, which is in fact the largest sector in this B.C. industry. Other significant sectors included Manufacturing (22%) and Health (11%). The remaining sectors were, in descending order: Forestry & Forest products, Biotechnology, Environment and Energy.

d. Years In Business

32% of the companies had been in business for 6-9 years, 32% had been in business more than 16 years. Very small companies (less than four employees) were not surveyed.

2. Current Marketing Practices Of Respondent Companies

a. Marketing Personnel

74% of the companies have staff specially dedicated to sales, and about 50% have a full time marketing person or officer assigned to this area. Non-full-time people involved in the marketing function are usually part-time marketing officers, general managers, presidents or owners. Most companies indicated that even a small company should have a full-time marketing person.

b. Target Market

More than two thirds of the companies received 50% or more of their revenue from activity outside B.C., chiefly in the U.S. and to a slightly lesser degree in other provinces. Other important areas are Europe and the Pacific Rim.

c. Strategic Alliances

71% of the companies stated that they were involved in or were actively seeking a strategic alliance with another company. The main reason cited was increased access to markets, and another reason involved reducing financial risk.

d. Perception Of Client Base

Most companies tend to deal with technically sophisticated customers, and typical purchase orders are $1,000-$100,000.

e. Competition

Overall, companies tended to have few direct competitors in B.C., and they tended to rate their own companies as good to excellent in comparison with their competitors.

f. Supplier Base

Over 60% of respondents have 75-100% of their suppliers in B.C., and only 18% of companies have less than 25% of their suppliers in B.C.

g. Product Lines

79% of companies stated that they are active or very active in the area of new product development. Almost 75% of the companies stated that they have 1-10 product lines. Over 75% of these companies stated that they have the product prototype evaluated by potential customers before production, and almost all companies rate the technical quality of their products as good to excellent.

h. Feasibility Studies/Marketing Plans

Over half of the respondents develop a feasibility study or marketing plan for new products, usually to determine the product's marketing potential. Additional reasons are corporate planning and to acquire financing through loans, grants or venture capital funds.

While 80% completed a marketing plan during the stages of product conception or planning, 20% waited until the product was produced or completed before determining its market potential. Usually the Marketing Director/Manager/President developed the marketing plans, but about 25 % used outside consultants.

Most companies implemented their marketing plan with no changes or minor changes only. Around 18% of the companies made major changes to their plan during implementation, and 3% did not implement their plan at all.

i. **Market Intelligence**

Most companies (75%) rated their sources of market intelligence as adequate. Typical information sought included: statistics and other information about the target market, lists of current competitors and their products, customer specifications for products, manufacturing costs. Top sources of information included private company or industry reports, journals and other publications, and consultation with experts. Government sources received a low rating, and were used by only 30% of the respondents.

j. **Promotional Efforts**

About 72% of the companies rated their promotional efforts as average to good compared to their expectations. The most popular forms of promotion were brochures, cold calls by sales staff and word of mouth.

k. **Distribution Efforts**

78% of the companies rated their distribution efforts as average to good compared to their expectations. The most popular forms of distribution were: direct from the company (73%) or through dealers (39%). It is interesting that most companies rely on direct sales, even though the majority of their customers are located outside B.C., and tend to be in the U.S.

l. **Expectations For Growth**

95% of the companies felt that their companies are growing and expanding, or will do so in the future.

APPENDIX B

GOVERNMENT PROGRAMS TO ASSIST MARKETING

1. **Organization: B.C. Trade and Development Corporation**
730 - 999 Canada Place
Vancouver, B.C. V6C 3E1
604/844-1900

Programs: Export Loan Guarantee Program

Provides loan guarantees for working capital needed in export development. Will guarantee up to 85 percent of a loan to a maximum of $2.5 million per company.

2. **Organization: Discovery Innovation Centre**
770 Pacific Blvd. South
Vancouver, B.C., V6B 5E7

Description: Assists innovators, entrepreneurs and companies determine the commercial potential of their innovations.

3. **Organization: Federal Business Development Bank**
#700 - 601 West Hastings
Vancouver, B.C., V6B 5G9
604/666-7800

Programs:

a. Counselling Service for Small Enterprises (CASE).

Counselling service for small and medium-sized businesses. Subsidizes cost of contracting an expert for business advice, including marketing. Cost to the company can range from $100 to $5,000, with the average around $300 to $500.

b. Community Business Initiative Program

Designs and provides relevant group workshops in various areas, including marketing, for training and counselling.

4. **Organization: Department of Supply and Service**
Government Management Services
Supplier Development Branch
Vancouver, B.C.
604/660-4070

Program: Public Sector Purchasing Policy

Identifies supplier development opportunities within the public sector.

5. **Organization: Industry, Science and Technology Canada**
International Trade Centre
900 - 650 West Georgia
Vancouver, B.C., V6B 5H8
604/666-1443

Programs:

a. New Exporters to U.S. South
New Exporters to Border States
New Exporters to Overseas

Organization group expeditions to the United States or overseas destinations for company representatives interested in marketing to these areas. These missions might include participating in trade shows, meetings with manufacturers, briefings on local markets and interviews with potential customers. Covers transportation and organizational costs. Participant must cover personal costs such as food and accommodation.

b. Program for Export Market Development (PEMD)

Provides financial assistance to encourage Canadian companies to increase their exports by entering new international markets. Various program components include:

i. Funding 50 percent of the cost involved in setting up foreign offices up to $125,000,

ii. Funding 50 percent of the cost to attend foreign trade shows or to do international market visits up to $50,000 and

iii. Funding 100 percent of the airfare for a market identification visit.

6. **Organization:** **Science Council of B.C.**
#800 - 4710 Kingsway
Burnaby, B.C., V5H 4M2
604/438-2752

Program: Market Assessment of Research and Technology

Provides up to 75 percent of the cost to a maximum of $20,000 in non-repayable grants to companies or university researchers to determine the market potential of scientifically or technically innovative products or processes.

7. **Organization:** **Vancouver Island Advanced Technology Centre**
209 - 1110 Government St.
Victoria, B.C., V8W 1Y2
604/384-2450

Description: Provides marketing advice and marketing research information for advanced technology companies on Vancouver Island.

8. **Organization:** **Western Economic Diversification Canada**
Bentall Tower 4
1200 - 1055 Dunsmuir St.
Vancouver, B.C. V7X 1L3
604/666-6256

Programs:

a. Market Assistance and Market Development Program

Provides 50 percent of the funding in the form of a repayable, no-interest loan for the costs of marketing a new product or developing a new market.

b. International Marketing Initiative

Off-sets 50 percent of the direct costs incurred in attending an international trade show, in the form of a non-repayable grant. Eligible trade shows are designated by WEDC.